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Candace Havens
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WORKING SESSION MEMORANDUM

DATE: November 22, 2013

TO: Alderman Marcia T. Johnson, Chairman
Members of the Zoning and Planning Committee

FROM: Candace Havens, Director of Planning and Development
James Freas, Chief Planner, Long-Range Planning
Amanda Stout, Senior Planner, Long-Range Planning

RE: #407-13 HIS HONOR THE MAYOR requesting discussion relative to establishing a Regional Technology Center in Newton under the State's Economic Development Incentive Program

MEETING DATE: November 25, 2013

CC: Board of Aldermen
Donnalyn Kahn, City Solicitor

EXECUTIVE SUMMARY

The Economic Development Incentive Program (EDIP) through the Massachusetts Executive Office of Housing and Economic Development provides a means of promoting job growth and retention, stimulating private investment, and helping businesses thrive in the Commonwealth. Under this program, cities and towns may apply for designation as an Economic Target Area (ETA) which, among other benefits, positions those municipalities to negotiate tax incentives if they feel that a company meets their strategic goals. Newton is eligible to apply for a Regional Technology Center (RTC) designation, which is a type of ETA designed to target large areas of commercial or industrial space suited to high-tech, high-quality jobs. A Newton RTC would be a logical extension of the N² Innovation Corridor, further the City's partnership with the Massachusetts Office of Business Development (MOBD) in facilitating appropriate growth of existing Newton-based companies and attracting national and international companies, and create the opportunity for the City to offer tax incentives in the future. In staff's view, establishment of an RTC provides the City with options that it currently doesn't have and would be a wise choice. Although no formal Board action is requested at this time, this

information is provided for Board consideration in the event that it should wish to consider tax incentives in the future. We welcome the Board's thoughts on this.

Why designate an ETA/RTC in Newton?

The City of Newton has been partnering with the Town of Needham on several projects, including the N² Innovation Corridor and road redesign and master planning for the Needham Street/Highland Avenue Corridor. In 2007, Needham designated an RTC for the whole Town, with special attention paid to the New England Office Park, now known as Needham Crossing. This proactive planning paid off for the Town when TripAdvisor was drawn to the area by a TIF in exchange for relocation of 450 jobs, creation of 250 jobs, and private investment in building a new company headquarters; the Town was ready to act and negotiate the TIF. Designating an RTC in Newton would require a similar proactive planning effort that would be especially valuable for supporting redevelopment along Needham Street, as well as in other areas of the City. ***Joining the RTC program does not commit the City to offering tax incentives; it only creates the opportunity to do so.*** Waltham has been a designated ETA for a number of years and has never offered a tax incentive while Burlington, which has been an ETA for 20 years, has created three TIF agreements.

The City of Newton has also been working closely with colleagues at MOBD. They emphasize the EDIP program as a means for municipalities to partner with the State on job creation and retention. Once a company negotiates a TIF, other State funds and tax credit programs become available to assist the company in being successful in Massachusetts. Newton faces a competitive disadvantage relative to many of our neighboring communities that have this economic development tool available.

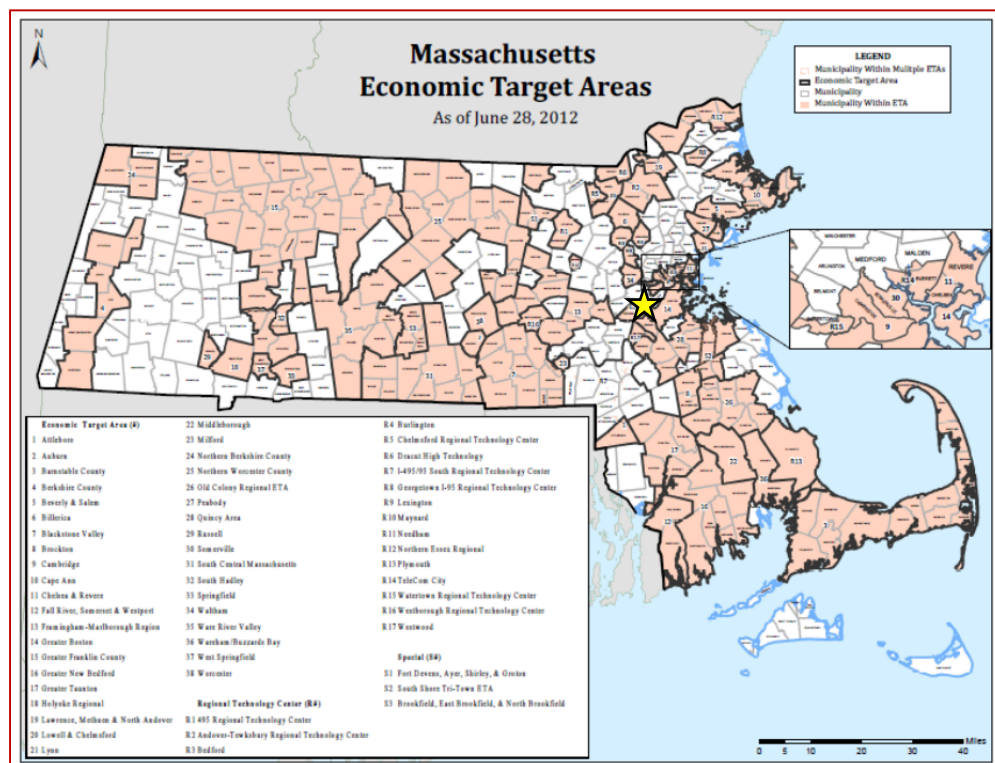


Figure 1: All ETAs and RTCs in Massachusetts as of June 20, 2012 are shaded, and the star is on the City of Newton.

Geographic Scope

When considering the geographic scope of an ETA or RTC, a municipality should consider areas in the city or town that might someday be considered for designation as Economic Opportunity Areas (EOAs): that is, sites where the City is strategically considering economic development opportunities and where a significant new development project might be enabled or encouraged by means of a TIF. The minimum size for an RTC is three adjacent census tracts, and, in the interest of keeping all future options open, most RTCs are comprised of all of the census tracts in a municipality.

The RTC program requires that a community identify a minimum of 200 acres with the capacity to support the build-out of 3,000,000 square feet of commercial or industrial space. As a largely built-out City with limited areas devoted to commercial and industrial space, Newton is unlikely to meet this requirement by focusing on only a few areas of the City. For example, the Needham Street Corridor is approximately 118 acres.

If Newton applies with all 18 census tracts, then the spectrum of possible EOAs would include the Needham Street Corridor, the Wells Avenue Office Park, former manufacturing space in Nonantum, office space in Newton Corner, and other opportunities that may surface in the City. It becomes difficult to justify why some census tracts are “in” or “out” and it means that the potential to receive a TIF would be available citywide to anyone demonstrating that they can meet the criteria (with Board approval). ***The onus falls on the company or developer to perform and prove they are deserving of the economic development incentive.***

Area	Acreage	Current + Future Development Potential
Needham Street Corridor	118 acres	3,000,000 square feet (source: MAPC Needham Street Market Analysis, assumes some zoning changes)
Wells Avenue Business Park	108 acres	TBD
Nonantum/California Street (Limited Manufacturing)	21 acres	TBD
Newton Corner	12 acres	TBD
TOTALS	259 acres	3,000,000+ square feet

Joining the Needham RTC

It is possible for the City of Newton to apply for a stand-alone RTC or to apply to join the existing Needham RTC, forming a new RTC comprised of the two neighboring municipalities. The State is very interested in promoting regional collaboration and RTCs comprised of multiple municipalities are looked upon more favorably than stand-alone RTCs, so long as each municipality is bringing something

to the table. Joining with Needham would align with Newton's, Needham's, and the State's shared interest in building strong economic development collaboration to the benefit of the integrated Needham Street/Highland Avenue Corridor. The N² Innovation Corridor initiative, spearheaded by Secretary Greg Bialecki, is an example of the type of strategic regional economic development branding that is encouraged.

There is precedent for individual municipalities joining existing RTCs. In order for Newton to join the Needham RTC, the Town of Needham must agree by a vote of their Board of Selectmen and signing of an Agreement. The City has had productive conversations with the Town of Needham regarding this possibility, although as of the date of this memo, the Town had not yet completed their internal reviews. Newton can submit the application on its own, while leaving open the possibility of joining the two RTCs together in the future.

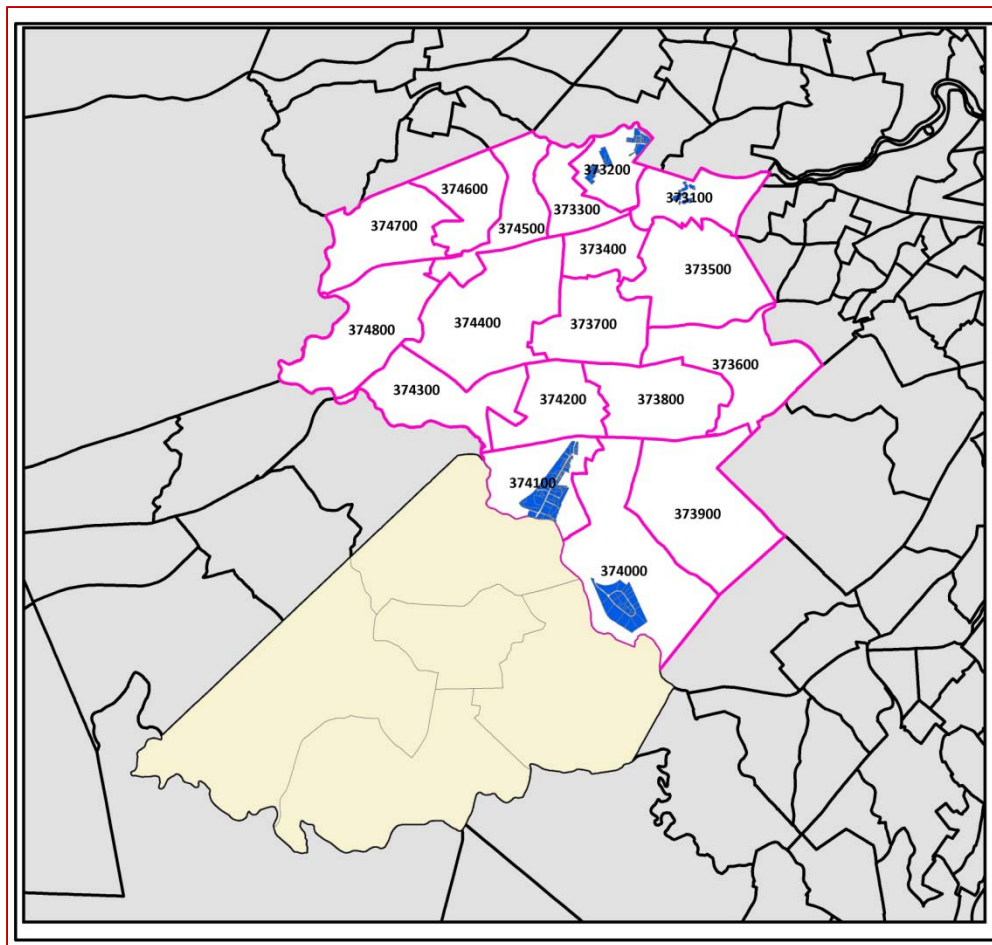


Figure 2: Proposed Newton RTC comprised of all 18 U.S. Census tracts. The large shaded area in the lower left side of the map includes the five census tracts that comprise the Needham RTC. The darkened areas represent areas with significant development potential and the possibility of housing EOAs in the future: the Needham Street Corridor, the Wells Avenue Industrial Park, industrial space in Nonantum, and office space in Newton Corner.

EOA Criteria

The EOA criteria are an important part of the application as they become part of the measures by which future projects would be considered for EOA designation and tax incentives by both the City and the State. Every municipality sets criteria differently based on a city or town's unique economic development strategy and the types of redevelopment opportunities that it might wish to encourage. As part of this RTC application, Newton sets its own criteria that it will use when considering future EOAs, which are neither subject to influence by the State nor by Needham, if there were to be a joint RTC.

The RTC application asks the City to outline goals for the first five years in which the ETA would be in effect and outline the criteria that it will use to designate an Economic Opportunity Area (EOA), which is a prerequisite to negotiating a TIF. These questions prompt the City to think about the economic development goals that a TIF might help the City achieve and the types of circumstances under which it might offer a TIF, but it does not commit the municipality to offering a TIF. The goals and criteria are rooted in the *Comprehensive Plan* and other policies. It is important to remember that an EOA would only be used in conjunction with redevelopment projects where there is a measurable increase in property value. The City gets the best "bang for the buck" with redevelopment of obsolete or vacant buildings as the difference between base assessed value and the assessed value after improvements (the "increment" or "delta") will be high, even when a portion of the property taxes on that increment are abated for a period of time.

The following language is proposed for inclusion in the RTC application:

"When considering areas within the proposed ETA as possible candidates for designation as EOAs, Newton will consider how that area contributes to the City's economic development goals and Newton's pivotal location in the Commonwealth:

- 1. To facilitate existing Newton companies' continued growth in the City.*
- 2. To support the Commonwealth's goal of attracting innovative companies to Massachusetts to play a role in maintaining a sustainable and growing economy, and specifically, to help enhance the N² Innovation Corridor and the Route 128 region's ability to provide quality jobs and career options to residents of Newton and the surrounding towns and cities.*
- 3. To support office development that demonstrates significant increase in jobs in locations with a high potential for secondary economic benefits.*
- 4. To support projects that include a permanent improvement to the City's economic competitiveness, such as those that include infrastructure enhancements on the redevelopment of important commercial/industrial parcels.*
- 5. To promote redevelopment of existing industrial and commercial properties and effective reuse of obsolete or vacant industrial or commercial buildings in the Needham Street Corridor, the Wells Avenue Office Park, Nonantum, and Newton Corner.*

6. *To assist companies that are interested in locating in Newton that are deemed strategically valuable or that demonstrate a strong connection to locations or industries consistent with Newton's economic development strategy.*
7. *To encourage the redevelopment of sites in a manner that is consistent with the Commonwealth of Massachusetts' Sustainable Development Principles, including advancing smart growth and multi-modal transportation options and featuring principles of green design."*

Potential EOAs

In the RTC application, Newton must explain the potential areas that might be designated as EOAs in the future. The following language is proposed:

"The Needham Street corridor has some of the greatest potential for near-term redevelopment activity. The City is currently creating a Master Plan for the corridor, coordinating with the Massachusetts Department of Transportation on roadway design and future reconstruction, and partnering with the Town of Needham on planning and marketing for the entire corridor (Needham Street in Newton and Highland Avenue in Needham) as a high-tech, life sciences, and innovation economy center as part of the greater metro Boston economy. The location and accessibility of this corridor translates into a significant opportunity for new private investment. It is an historic innovation center and it is currently the focus of plans to enhance multi-modal transportation infrastructure. Needham Street is already home to many innovative companies, and it has great potential for increased investment and density in an already mixed-use environment.

There are potential redevelopment sites that would be possible candidates for designation as an EOA in other areas of the City. The Wells Avenue Industrial Park, composed of 108 acres originally intended for light industrial use, has been the subject of recent discussion about how to best redevelop and reposition this unique area of the City. Areas on the northern side of the City, such as California Street in Nonantum, Newton Corner, and parts of West Newton, contain older mill buildings, warehouses, and other industrial and commercial spaces, some of which is underutilized and all of which is located in close proximity to mixed-use commercial centers and transit access. These areas might be strong candidates for EOAs should there be a significant project that meets the City's criteria."

NEXT STEPS

No action is necessary from the Zoning and Planning Committee at the November 25th meeting. The Executive Office and the Department of Planning and Development are aiming to submit the City's application for designation as an RTC to the State on November 27th for consideration at the EACC's December 18th meeting. If and when a particular EOA and TIF incentive package is contemplated, a detailed proposal would be docketed for discussion and subject to approval by the Board of Aldermen.

ATTACHMENT: DEFINITIONS

DEFINITIONS

The following definitions and explanations are provided as background to the discussion of Newton's application to the State as a Regional Technology Center.

- **Massachusetts Office of Business Development (MOBD)** – part of the Massachusetts Executive Office of Housing and Economic Development, this office aims to strengthen the economy and increase job growth throughout Massachusetts by providing a highly responsive, central point of contact that facilitates access to resources, expertise, and incentive programs available in the Commonwealth to businesses that are seeking to expand or locate in the Commonwealth.
- **Economic Development Incentive Program (EDIP)** – a tax incentive program designed to foster job creation and stimulate business growth throughout the Commonwealth. Participating companies may receive state and local tax incentives in exchange for job creation, manufacturing job retention, and private investment commitments.
- **Economic Assistance Coordinating Council (EACC)** – representatives of MOBD who meet quarterly to review applications for ETA, RTC, EOA, TIF, and other economic incentive programs.
- **Economic Target Area (ETA)** – a designation that enables a city or town to offer tax incentives to companies locating in areas of the Commonwealth exhibiting high unemployment, poverty, or recent major job losses.
- **Regional Technology Center (RTC)** – a sub-component of ETAs, RTCs are designed to target large areas of commercial or industrial space suited to high-tech, high quality jobs regardless of the economic status of the surrounding area. The Towns of Needham, Lexington, Burlington, and Westwood are among the 17 RTCs in Massachusetts.
- **Economic Opportunity Area (EOA)** – a site within an ETA or RTC that meets the city or town's criteria for EOA designation and that meets the State's criteria as hosting an "Expansion Project." At the municipal level, the project requires city approval and negotiation of a TIF, and at the State level, the project must meet new job creation and retention thresholds for five years and generate significant out-of-state sales.
- **Tax Increment Financing (TIF)**¹ –Massachusetts' version of Tax Increment Financing (TIF) allows municipalities to provide flexible, targeted incentives to stimulate job-creating development. It is a negotiated agreement between a business, property owner, and host municipality. The business pays the full tax rate on the "base value" of the property while a percentage of the increased value (the increment) is untaxed for a specified length of time. The untaxed percentage may range from 5% to 100% of this increased value and the timeline may range from 5 years to 20 years. The property would not be paying less in taxes in the future than they are today. When negotiating a TIF, the City would review a company's proposal against the criteria the City established during the RTC application process. A TIF agreement requires Board of Aldermen approval.

¹ Note that in every other state in the country, a "TIF" refers to a more complicated multi-party financing relationship to support infrastructure investments. In Massachusetts, this concept is referred to as District Improvement Financing (DIF).